## blue of california

## Blue Shield of California Regional Council Update

#### CalPERS Health Benefits Committee

October 17, 2006

Presented by - Kathlyn Mead, VP, CalPERS Sector

## Regional Council – Objectives

Provide education on key cost drivers within targeted county and collaboratively identify solutions leading to more affordable health care

- Follow-up on recommendations made to the CalPERS Health Benefits Committee in Spring 2006;
- Help key stakeholders and constituents gain insight into health care trends and cost drivers in the county;
- Identify opportunities to preserve a cost effective managed care model that promotes and measures quality;
- Offer and solicit solutions from stakeholders and constituents, evaluate the feasibility of the recommendations, and communicate viable opportunities to all parties

### Regional Council – Agenda Structure

- Provide overview of health care coverage and delivery model
- 2. Review of identified cost drivers based on data driven analysis; review of metrics considered not outside the norm
- 3. Blue Shield strategy and tactics to address cost drivers
- 4. Open discussion to allow attendees to provide feedback and other solutions
- 5. Review key next steps

# Regional Council Sessions – Colusa and Lake County Summary

- Two Regional Council sessions have successfully been conducted in Colusa and Lake Counties
- Both counties experience out-of-CalPERS HMO network utilization that, if brought back in-network, could result in future savings approximating 30% for outpatient cases and 70% for inpatient cases
- Populations in both Colusa and Lake county have a higher burden of illness and are older compared to the Northern California CalPERS benchmark
- Average ancillary costs per member are approximately triple the average aggregate cost of Northern California CalPERS benchmark which is attributed to a lack of non-hospital based ancillary services in the county

## Regional Councils: Colusa and Lake Counties – Next Steps

#### **Conversion to HMO Managed Care Contracts**

Objective:

 Preserve the managed care model in these communities resulting in specialty care referrals being channeled within CalPERS networked providers

What's Next?:

- Blue Shield is contacting physicians to enter into HMO contracts
- Blue Shield is providing tools for participants to assist in the conversion efforts:
  - □ Listing of physicians refusing to sign managed care contracts for each applicable county who can be contacted to express support
  - □ Sample letters to providers to communicate the desire to maintain a managed care model
  - □ An email communication channel to serve as an update on these activities and as a vehicle to mobilize employers and member organizations to communicate with physicians

## Regional Councils: Colusa and Lake Counties – Next Steps

#### **Opportunity for Free-Standing Facilities**

Objective:

 Review opportunity for free-standing facilities to enter the market if HMO members engage and express interest in maintaining an HMO model of care

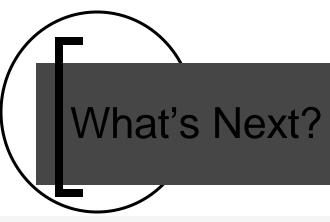
What's Next?:

- Engage in discussions to improve hospital contracting at free-standing facility rates
- Conduct open discussions with other free-standing providers

### Upcoming Regional Councils - Timeline

| County          | Regional Council    | Follow-up |
|-----------------|---------------------|-----------|
| Colusa          | 09/21/06 (Complete) | 11/21/06  |
| Lake            | 09/27/06 (Complete) | 11/22/06  |
| Sierra/Plumas   | 10/26/06            | 12/13/06  |
| San Luis Obispo | 11/08/06            | 02/22/07  |
| Napa            | 11/16/06            | 01/19/06  |
| El Dorado       | 11/29/06            | 12/11/06  |
| Mariposa        | 12/12/06            | 01/16/07  |
| Butte           | 01/30/07            | 03/22/07  |
| Glenn           | 01/31/07            | 03/23/07  |
| Mendocino       | 02/27/07            | 04/19/07  |
| Sonoma          | 02/28/07            | 04/20/07  |

Note: A Regional Council will not be conducted for San Mateo County



#### Post Regional Council

Blue Shield to provide periodic updates on outcomes and strategies to the CalPERS Health Benefits Committee

#### October 2006 – May 2007

Blue Shield will reaffirm or amend recommendation made to the CalPERS Health Benefits Committee May 2006 to either exit certain markets or introduce a benefit design with separate pricing